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Evaluation

Management response to the evaluation of UNDP inter-agency operational services

Context and background

1. UNDP management welcomes the recommendations of the evaluation report on inter-agency operational services (DP/2018/25), whose analysis and findings, covering the period 2010-2017, largely confirm the organization's own recent internal analysis undertaken as part of the review of the UNDP business model in relation to the Strategic Plan, 2018-2021.

2. The Strategic Plan articulates a bold, deliberate vision of what UNDP needs to achieve in the next three years, including its role as an operational backbone for the United Nations system and other partners. As per the Strategic Plan and in line with General Assembly resolution 72/279 of 31 May 2018 on repositioning of the United Nations development system in the context of the quadrennial comprehensive policy review of operational activities for development of the United Nations system, UNDP will contribute to shaping a United Nations development system that responds to a changing world and works in increasingly effective ways to deliver the Sustainable Development Goals. The provision of inter-agency operational services by UNDP is not viewed as an objective unto itself, but rather as a means to strengthen and enable adaptive and increasingly effective and efficient United Nations support to partner Governments.

3. The role of UNDP as operational backbone is grounded in the organization's management infrastructure across the globe, which is deployed to meet demand from fellow United Nations entities and partner Governments for services in human resources management, finance, procurement, information and communication technology (ICT), legal affairs, security, and other administrative areas. UNDP, uniquely among United Nations and other multilateral institutions, has extensive operational capacities in these service areas and the capability to provide them through a network of 131 country offices, additional specialized offices, five regional hubs and two global shared services centres in Copenhagen, Denmark and Kuala Lumpur, Malaysia. The provision of these services by UNDP enables United Nations and other partners to operate effectively and cost-efficiently in difficult and sometimes risky operational contexts.

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4. Today, management support (operations) services provided by UNDP comprise human resources, finance, ICT, procurement and common services, delivered through two sites, Copenhagen and Kuala Lumpur, as well as through country offices and regional hubs. The volume of operations services which UNDP provides to United Nations clients annually is considerable:

(a) Provision of transaction processing services to 118 external clients in over 170 countries with an annual operational volume of approximately $2.04 billion: seven United Nations agencies in the UNDP Atlas enterprise resource planning (ERP) system (mainly payroll and vendor payments) for a total of $1.21 billion; and 111 non-Atlas (external users of Atlas) United Nations agencies and other entities for a total of $0.83 billion;

(b) Provision of treasury investment services totaling $7.5885 billion: $5.6778 billion for UNDP and the Multi-Donor Trust Fund, $1.1731 billion for six United Nations agencies; and $0.7376 billion for after-service health insurance (externally managed with UNDP oversight) for UNDP ($0.4931 billion), the United Nations Population Fund, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and the United Nations Capital Development Fund (UNCDF) (totaling $0.2445 billion)*;

(c) Disbursement of $1.35 billion in 114 currencies through UNDP payroll systems, of which $0.62 billion (46 per cent) is on behalf of United Nations partner organizations for on average 34,800 personnel per month. Payroll clients include staff, United Nations Volunteers and service contract holders at headquarters and in country offices across more than 40 United Nations agencies, funds, programmes and other entities.[1] Each month, UNDP also administers benefits and entitlements for an average of 4,200 International Professional and General Service staff from 10 United Nations agencies (4,900 individuals serviced annually);

(d) Annual procurement of $2.1 billion for directly implemented projects and $1.1 billion for nationally implemented projects, including $274 million on behalf of other agencies; and support for Governments in undertaking large national procurement portfolios;

(e) Provision of common premises for other agencies in 126 countries, with opportunities for all to avail of common services, including travel management;

(f) Support for 13 United Nations entities with 40,000 United Nations and external users of the Atlas ERP system, and provision of ICT solutions for the United Nations field presence (infrastructure, communications and applications).

(g) Direct legal services to the United Nations Volunteers programme and UNCDF and legal work for UNDP associated with UNDP letters of appointment and UNDP contracts issued as a service to other United Nations agencies (recently the International Fund for Agricultural Development, United Nations Department for Safety and Security, United Nations Office for the Coordination of Humanitarian Affairs, United Nations Office on Drugs and Crime, Office of the United Nations High Commissioner for Human Rights and United Nations Environment Programme);

* The figures are based upon treasury portfolio balances.

[1] These include UNDP, United Nations Capital Development Fund, United Nations Population Fund, United Nations Volunteers programme, United Nations System Staff College, United Nations Institute for Training and Research, UN-Women, United Nations University, United Nations Department for Safety and Security, United Nations Office for the Coordination of Humanitarian Affairs, United Nations Office on Drugs and Crime, United Nations Human Settlements Programme, International Fund for Agricultural Development, World Food Programme and United Nations information centres.

(h) Security advice and support to all UNDP personnel and specified United Nations agencies, funds and programmes when co-located in UNDP-managed common premises.

5. After the Executive Board approved the Strategic Plan in November 2017, UNDP immediately set out to review the policy and programme function and the management services functions to ensure that the organization had the necessary tools, systems and business models to be able to implement the Strategic Plan. This work started in December 2017, was completed in June 2018 and implementation had started in earnest by July 2018. The recommendations from the internal review of management services are aligned to those of the evaluation report. Both sources of analysis will play a significant role in assisting UNDP to embark on an ambitious new course, one in which the organization's capabilities must equal the ambition of the Sustainable Development Goals.

6. The reform of the United Nations development System (UNDS) is expected to start early in 2019 and will be a complex undertaking for UNDP and all other United Nations agencies. UNDP will be guided by General Assembly resolution 72/279, in which Member States welcomed measures by the Secretary-General to advance common business operations, where appropriate, to enable joint work and generate greater efficiencies, synergies and coherence, and requested the implementation of those measures in accordance with General Assembly resolution 71/243 of 21 December 2016 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system. United Nations efforts to build greater cohesion across the entities working at the country level both inform, and are informed by, how UNDP provides services to other United Nations entities. UNDP recognizes that its business model and the fundamentals of how it works must improve so as better serve its government partners, achieve the vision set forth in the new Strategic Plan, strengthen the provision of operational services to United Nations partners and support the Secretary-General's reform vision.

7. The evaluation's key findings, conclusions and recommendations are informing management decisions and priority-setting for strategic engagement by UNDP. The UNDP management response (see annex) encompasses practical and time-bound key actions which build on ongoing work and designate the parties responsible for these actions. The planned actions will be tracked on a regular basis through the Evaluation Resource Centre.

Findings and conclusions

8. UNDP is cognizant that achieving the goals of its ambitious Strategic Plan, while meeting the evolving operational demands of United Nations partners and supporting the ongoing UNDS reform processes, requires a step change in both the quality and efficiency of its provision of operational services. As articulated in the Strategic Plan 2018-2021, improvement is being driven by two streams of work: performance and innovation. The performance stream focuses on making the current operational services business model more cost-efficient and effective in the near term. The innovation stream is identifying new approaches to how operational services are delivered, testing them for scalability and financial feasibility and replicating them as needed.

9. To accelerate improvement in operational services and the evolution of new business models to underpin them, UNDP has completed a review of its capacity to provide operational services. The process design phase ran from December 2017 to February 2018, followed by an analysis phase from March to June 2018 and culminating in a series of recommendations approved in early July, many of which are currently under implementation. UNDP also has drawn upon audit and programmatic and other evaluation findings to inform its work, including the recent analysis by the Office of Audit and Investigations (OAI) of the UNDP clustering initiative.

10. The areas of improvement defined through the above-mentioned process include: streamlining and refining business processes for operational services; scaling up the provision of operational services through a shared service modality; greatly improving the quality and customer-centric delivery of operational services at the country office level; and digitally transforming way UNDP provides such services at the global and country levels. As is evident, all areas are aligned with the findings of the evaluation of UNDP inter-agency operational services. Work is already underway in each of these areas.

11. UNDP has identified continuous improvement of business processes as critical to maintain the quality of operational service provision. Twelve core operational processes have been analysed with recommendations made to improve them; work is already underway to improve processes including recruitment, independent contractor procurement, travel and payroll, Benefits will be realized from November 2018 through December 2019, leading to tangible improvements in the quality of these services for United Nations partners and UNDP programmes. The remaining business processes will be addressed through the corporate shared services effort.

12. The second area of improvement is shared services (clustering). The OAI findings and recommendations have been complemented by the recent analysis of UNDP operational services. A cross-organization team has been established to lead the formulation of a business case for the scale-up of operational service provision through a shared services modality, including enhanced standard operating procedures (SOPs), required capacities, timelines, automation solutions (such as robotic process automation), cost-recovery methodology and cost-benefit analysis. UNDP is also improving its existing shared services workflows and structure, including expanding the roll-out of key performance indicators (KPIs) to measure shared service provision performance, improving current SOPs, upgrading existing ICT system and updating of the time-motion study to identify ways to increase operational efficiency.

13. The third area of work underway is the improvement of UNDP operational service provision at the country office level. In support of the Secretary-General's UNDS reform efforts, and in close coordination with the related United Nations Development Group (UNDG) Business Innovations Group (BIG) processes, UNDP has begun implementing a series of changes aimed at improving the quality of country office service provision and building the requisite strong customer-centric mind-set. By August 2018, UNDP will complete its own strategy to support the UNDG BIG processes, including roll-out of business operations strategies and common back offices. A cost-benefit analysis software developed by UNDP is currently being coded as a web application for utilization by United Nations country teams (UNCTs) to conduct like-for-like comparisons of the cost of location-dependent service provision by different UNCT members, which in turn will lead to rational decisions about which United Nations entity is best placed to provide said services at the country level. Lastly, UNDP will roll out a new customer relations management platform that will allow seamless tracking of service requests and provision of feedback on the quality of service provision; the specifications are being developed and roll-out will begin in the last quarter of 2018.

14. Lastly, UNDP has begun digitally transforming its operational services. A digital transformation strategy, currently in draft form, will guide a series of investments that will improve both operational and programmatic services. A digital innovation platform under development will allow UNDP and United Nations partners to develop safe and scalable digital applications to support better operational service delivery. An upgrade of the Atlas ERP system to the most recent version available, to be launched in August 2018, will allow both continuity in service provision and improvement in the user experience.

15. In each of the above-mentioned areas, UNDP will ensure that its operational services to the United Nations system are provided in a financially sustainable manner, based on the principles of cost recovery and full transparency in pricing structure and strategy. Service-level agreements for services provided by headquarters units and the universal price list for services provided by country offices are the existing mechanisms in place to ensure effective recovery of costs associated with the provision of services to United Nations system agencies. These mechanisms will be reviewed within the overall effort to achieve cost efficiency and enhance quality of service.

Annex. Key evaluation recommendations and UNDP management response

Recommendation 1. UNDP should develop a clear vision refining its role vis-à-vis the UNDS reform to serve United Nations entities with improved customer orientation and quality of services. In developing a clear vision, UNDP should strategically specify boundaries – what services are to its advantage to offer and how – and demonstrate that it wants the business of United Nations agencies with a plan to improve client orientation through proper incentives to improve quality of services. This includes developing service-level agreements with mandatory reporting of KPIs and establishing a real-time appraisal system with automated feedback channels incorporated into service delivery to ensure quality of services and timeliness of response.

Management response:

UNDP management agrees with this recommendation and is working actively to ensure that its ability to provide management and operational support services plays a critical role in supporting the growth and positioning of UNDP as the backbone of the United Nations system, and achieves the vision and improved business model reflected in the Strategic Plan, 2018-2021. The completed corporate review of management services is supporting the development of this new corporate business model which focuses on areas where UNDP can deliver the best value to its partners.

UNDP is investing in digital platforms and is streamlining its business processes to enhance the effectiveness and efficiency of its field operations. This will provide opportunities for the broader United Nations system to take advantage of these streamlined processes and systems to enhance their own delivery.

The UNDP Strategic Plan, 2018-2021 clearly defines the vision of UNDP for its role at the country level as:

(a) An integrator across policy, programme and organizational silos that delivers impact at scale and utilizes limited resources efficiently on the 2030 Agenda for Development;
(b) An operational backbone for United Nations and other partners whereby many United Nations agencies utilize the UNDP implementation capacity, including its information technology (IT), finance and human resources infrastructure, to enable them to operate effectively and cost efficiently in difficult and sometimes risky operational contexts.

Key action(s)	Time frame (Q=Quarter)	Responsible unit(s)	Tracking[2]	
			Status	Comments
Review and update corporate service-level agreements (SLAs) with United Nations agencies.	Q1 2019	Bureau for Management Services		
Develop a revised set of KPIs, baselines and targets for tracking continuous process improvement and client satisfaction from global shared service units.	December 2018	Bureau for Management Services		Per the management action plan of the OAI audit of the UNDP clustering process.

[2] Implementation status is tracked in the Evaluation Resource Centre.

Establish customer service enhancement structures, mechanisms and focal points at headquarters, regional and country office levels.	Q4 2018	Cross-organization implementation team		
Conduct a detailed baseline analysis on current service quality standards and client needs, including service costing and pricing analysis/review, leading to updated agreements with United Nations agencies on service provision and revised set of KPIs, baselines and targets for tracking continuous process improvement and client satisfaction for country offices.	Q4 2018 to Q4 2019	Cross-organization implementation team		
Recommendation 2. The Bureau for Management Services should appropriately price and implement full cost recovery for all services to United Nations entities. It will thus be important to revise current cost-recovery methodologies, reconsider the universal price list and offer tools and capacity-building for country offices to customize costing methods that better capture the process chain behind each service line, including the cost of managing risks and liabilities absorbed by UNDP as a service provider. As it devises a more detailed costing strategy, UNDP should also identify where efficiency gains can be made in processes, compared to other agencies and include the cost of business sustainability enhancements.				
Management response: UNDP management agrees with this recommendation, recognizing the need for a change in cost pricing from partial to full cost recovery and is committed to improving the predictability of the cost structure to enable United Nations agencies to undertake their planning accordingly. UNDP is currently reviewing the cost recovery levels and agreements (SLAs) for organizational support services that it provides to United Nations agencies.				
Review cost-recovery levels for global services.	Q1 2019	Bureau for Management Services		
Review (and update) corporate SLAs with United Nations agencies.	Q1 2019	Bureau for Management Services		
Conduct a detailed costing and pricing analysis/review of country office services.	Q4 2018 to Q4 2019	Cross-organization implementation team		
Review (and update) country office SLAs with United Nations agencies.	Q4 2018 to Q4 2019	Cross-organization implementation team		
Recommendation 3. UNDP should incrementally implement full clustering of non-location dependent services, for all regions and all country offices, on a mandatory basis at least for services to agencies. The Bureau for Management Services will thus need to assess the current capacities available at the GSSUs and develop a strategy to develop adequate structures and professionalize services, adapting locations as needed for languages and time zones. The role of leadership is pivotal to ensure that all regional bureaux adjust to this centralized model needed for further economies of scale and efficiencies. As the UNDS reform establishes new service hubs led by other United Nations agencies, these should be considered to absorb part of the services to be rendered to other United Nations entities, as appropriate.				
Management response: UNDP management agrees with this recommendation. As part of the management response to the recent OAI audit of the UNDP clustering process and the analysis conducted by the review of management services, UNDP has established an action plan that includes the review of the corporate design and principles of clustering. UNDP is committed to the full implementation of clustering of non-location dependent services for all regions and country offices on a mandatory basis. UNDP				

commits to efficiently provide services to United Nations entities and to actively explore ways to work together with other service providers of the United Nations system.				
Design and develop the high-level design of the process for clustering of non-location dependent services.	October 2018	Cross-organization implementation team including Bureau for Management Services, regional bureaux, Executive Office		Per the management action plan of the OAI audit of the UNDP clustering process
Business cases for clustering implementation of non-location dependent services established.	June 2019	Cross-organization implementation team including Bureau for Management Services, regional bureaux, Executive Office		
Recommendation 4. UNDP should promote common shared integrated service arrangements at the country level for location-dependent services. The Bureau for Management Services will need to conduct a more critical assessment of what are currently considered location-dependent services and identify which services are absolutely necessary to be kept in country and cannot be provided by global shared service units. UNDP should then promote the idea that all location-dependent services be provided by local common shared integrated services arrangements, by establishing a well-defined corporate structure to support an improved model for roll-out of United Nations business operations strategies to support these integrated arrangements. At the same time, to strategically position UNDP, the organization should make available tools, such as the business operations strategy automated cost-benefit analysis, to help UNCTs and UNDP country offices make more transparent and data-informed decisions around the cost and efficiencies of local shared integrated service arrangements.				
Management response: UNDP management agrees with this recommendation and in implementing its Strategic Plan and recommendations stemming from the analysis of management services, will continue to seek efficiencies in its operations as informed by performance metrics, business intelligence and other quantitative and qualitative measures, including value for money and the benefits delivered. As noted above, a key area of action emerging from the management services review focuses specifically on country office business operations. In addition, improving efficiency and streamlining compliance processes will be critical, taking into account factors such as risk management, accountability, empowerment and the need for differentiated country office capacities. Additionally, as part of the implementation of the management action plan for the recommendations of the OAI audit of the UNDP clustering process, UNDP management will assess those services that are currently provided in-country but have potential to be clustered.				
As part of the process of completing the business case on the design of the clustering of non-location dependent services, UNDP will propose principles and criteria for the assessment of clustered services.	October 2018	Bureau for Management Services		Per the management action plan of the OAI audit of the UNDP clustering process.
Develop a support structure and tools to contribute to the roll-out of the United Nations business operations strategies.	June 2019	Cross-organization implementation team including Bureau for		

		Management Services, regional bureaux, Executive Office		
Recommendation 5. UNDP should develop a phased approach to invest in ICT tools and systems improvements over the next five years and ensure that critical staff and an effective strategy are in place to harvest such investments. This includes investing in an upgrade of the ERP system to improve its user interfaces and a real-time appraisal system with automated feedback channels to monitor and improve the quality of services. UNDP should also consider partnering with other agencies for e-commerce solutions and explore business partnership solutions to co-develop and pilot innovative and state-of-the-art tools and systems, including eventually the replacement of the current ERP, better customized to the needs of all United Nations entities.				
Management response: UNDP management agrees with this recommendation and would like to highlight that it is working on a new digital transformation strategy that will focus on new technologies that can drive innovation and efficiency gains in operational service delivery, and more critically is establishing the proper enablers such as policy, processes and staff capacities that will allow such to occur. In addition, the current UNDP ICT governance structure is aligned to ISO 38500, which is the international standard for organizational IT governance and is considered a best practice globally.				
Develop a digital strategy outlining the vision for the UNDP IT capabilities, in line with the UNDP Strategic Plan, 2018-2021.	October 2018	Cross-organization implementation team including Bureau for Management Services, regional bureaux, Executive Office		Per advice of the Audit and Evaluation Advisory Committee, a digital strategy is being developed outlining the vision for UNDP IT capabilities moving forward.
Initiation of Atlas upgrade to version 9.2.	August 2018 (upgrade to be completed by December 2019)	Bureau for Management Services		
Establishment of digital innovations platform.	December 2018	Cross-organization implementation team including Bureau for Management Services, regional bureaux, Executive Office		